



# STATE OF CONNECTICUT

## INSURANCE DEPARTMENT

### Testimony of the Connecticut Insurance Department Before The Labor and Public Employees Committee

Thursday, March 8th, 2007

#### House Bill 7320 – An Act Concerning Municipal Employee Health Insurance and Property Tax Relief

The Connecticut Insurance Department offers the following comments on House Bill 7320 – An Act Concerning Municipal Employee Health Insurance and Property Tax Relief.

Section 2 of this bill provides that the Comptroller shall arrange and procure health insurance for municipal employer groups under a plan called the Connecticut Insurance Pool. Such coverage will be provided on a risk-pooled basis. Any entity that pools the risks of multiple employers is doing the business of insurance and needs to be licensed as an insurer in the State of Connecticut. The Connecticut Insurance Pool would be considered an unauthorized insurer in violation of the Unauthorized Insurers Act.

Section 3 of this bill extends the membership of the pool to nonprofits and small employers and offers health insurance to these groups on a risk-pooled basis. The plan would not meet the federal requirements to qualify for an ERISA preemption from state law. As such, the Connecticut Insurance Pool would be subject to all state insurance laws and would therefore be prohibited from operating on a risk-pooled basis as an unlicensed entity. If a licensed insurer contracts to do administrative services with an unlicensed entity, the licensed insurer would be jeopardizing its own license to conduct the business of insurance in the state.

The Connecticut Insurance Pool could apply to be licensed as an insurance entity and be subjected to all regulatory requirements of entities doing the business of insurance in the State of Connecticut. This would include all financial requirements to protect its members against the event of insolvency. Without such protections in place, it is important to point out that the State would ultimately retain liability in the event of inadequate funding or insolvency of the pool.

It is also important to note that plans offered would have to be in compliance with any applicable requirements set forth in the federal Health Insurance Portability and Accountability Act (HIPAA). The State of Connecticut was required to enact legislation to adopt the requirements of HIPAA and to certify that state law is in compliance with HIPAA. State laws are periodically audited by the federal Department of Health and Human Services to ensure compliance. If state laws are not in compliance, the state jeopardizes its authority to regulate insurance, and such authority would be assumed by the federal government.